

## Message Text

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COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01

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E.O. 11652:N/A

TAGS: E;RD, NZ

SUBJECT: TRADE COMMITTEE WORKING PARTY CONSIDERATION OF  
NZ IMPORT DEPOSIT SCHEME (IDS) AND AUSTRALIAN, UK AND  
SWEDISH RESTRICTIONS

REFS: A STATE 24210 B OECD PARIS

1. NEW ZEALAND: ALTHOUGH WE DISAGREE WITH NEW ZEALAND

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CONTENTION THAT ITS IMPORT DEPOSI; SCHEME DOES NOT FALL

WITHIN THE TERMS OF ITS OBLIGATIONS UNDER THE TRADE PLEDGE, WE WOULD HOPE DISCUSSION IN TCWP WOULD NOT CENTER ON THIS POINT BUT RATHER ON THE CURRENT NEW ZEALAND ECONOMIC SITUATION GIVING RISE TO THE IMPORT DEPOSIT SCHEME AND THE PROSPECTS FOR ITS EARLY REMOVAL. IF NEW ZEALAND OR OTHERS PRESS THE POINT, HOWEVER, YOU MAY NOTE THAT WE ARE UNAWARE OF ANY OFFICIAL NEW ZEALAND STATEMENT AT THE TIME THE TRADE PLEDGE WAS RENEWED LAST YEAR WHICH QUALIFIED NEW ZEALAND'S OBLIGATIONS AND PERMIT IT NOW TO ARGUE THAT IT AGREED TO RENEWAL ON THE UNDERSTANDING THAT IT DID NOT PRECLUDE TRADE OR OTHER MEASURES TAKEN TO ADJUST TO SEVERE BALANCE OF PAYMENT PROBLEMS CAUSED BY NON-OIL FACTORS. WE DO NOT VIEW NEW ZEALAND'S PARTICIPATION IN DISCUSSIONS ALLUDING TO SPECIAL CASES OF HARSHSHIP AS CONSTITUTING SUCH AN EXCEPTION TO THE PLEDGE'S OBLIGATIONS FOLLOWING GENERAL STATEMENT ON OUR CONTINUED CONCERN OVER THE PROLIFERATION OF TRADE RESTRICTIVE MEASURES, YOU

MAY ASK THE FOLLOWING QUESTIONS:

A) HOW DID NZ CHOOSE THE PRODUCTS WHICH ARE COVERED UNDER THE IDS? WHAT BASIS WILL BE USED TO DETERMINE IF SPECULATIVE IMPORTING OF OTHER PRODUCTS OCCURS POSSIBLY NECESSITATING THE EXPANSION OF THE IDS?

B) NZ DEVALUED 9 PERCENT IN SEPT. 74 AND 15 PERCENT IN AUG. 1975. HAS THE PRICE ELASTICITY OF DEMAND BEEN SUCH THAT THE IMMEDIATE LOSS OF FOREIGN EXCHANGE FROM EXPORT SALES HAS BEEN OFFSET BY INCREASED PURCHASES OF NZ GOODS? WHAT OVERALL HAS BEEN THE EFFECT OF THE DEVALUATIONS ON THE BOP? (ALTHOUGH THE FIRST DEVALUATION WAS TRIGGERED BY AUSTRALIA DEVALUATION OF 12 PERCENT, THE SECOND WAS TAKEN FOR BOP REASONS.)

C) TC/WP(76) PARA 9 INDICATES DOMESTIC DEMAND HAS DECLINED SUBSTANTIALLY COMPARED TO 2-3 YEARS AGO. WAS THIS A RESULT OF NZ MONETARY POLICIES? GIVEN THE IMPORTANCE OF DOMESTIC DEMAND IN IMPORT LEVELS, DOES THE GNZ ANTICIPATE THE NEED FOR NEW MONETARY MEASURES TO DAMPEN DEMAND?

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D) WHAT ARE THE PROSPECTS FOR AN IMPROVED BOP POSITION AND AT WHAT LEVEL OF IMPROVEMENT COULD THE IDS BE PHASED OUT?

WHILE EXPRESSING U.S. RECOGNITION OF THE SERIOUSNESS OF NZ BOP SITUATION AND THE NEED FOR SOME FORM OF CORRECTIVE ACTION, YOU SHOULD SEEK ASSURANCES THAT IDS

IS TEMPORARY, NON DISCRIMINATORY (WITH EXCEPTION OF ISLANDS MENTIONED IN TC(76) 3/24) AND THAT MEASURE WILL BE REMOVED AT AN EARLY DATE. MISSION MAY IF APPROPRIATE JOIN IN A CONSENSUS THAT THE IDS IS INCONSISTENT WITH NZ OECD TRADE PLEDGE OBLIGATIONS AND CAN SUPPORT CONTINUING OECD REVIEW OF IDS UNTIL IT IS TERMINATED.

2. SWEDEN: YOU MAY ASK THE FOLLOWING QUESTION ON SWEDENS IMPORT TRADE RESTRICTIONS ON SHOES:

A) HAS SWEDEN FINALIZED THE PROCEDURES FOR ALLOCATING ITS GLOBAL QUOTA AMONG NEW AND OLD PRODUCERS? IF SO, WHAT IS THIS PROCEDURE?

B) HAS SWEDEN MADE ANY PROVISIONS FOR INCREASING THE FOOTWEAR QUOTA TO TAKE INTO ACCOUNT THE EFFECTS OF INFLATION?

C) IN JUSTIFYING THE IMPOSITION OF THE QR ON FOOTWEAR,

SWEDEN CITED THE NEED TO MAINTAIN A MINIMUM LEVEL OF DOMESTIC PRODUCTION. WHAT IS THIS MINIMUM AND IF THE LEVEL IS EXCEEDED WILL THE RESTRICTIONS BE REMOVED AUTOMATICALLY?

D) WILL SWEDEN DETAIL HOW THE EXTRA FUNDS FOR INCREASING EXPORT PROMOTION SUPPORT TO THE SHOE AND TANNING INDUSTRIES WILL BE UTILIZED? HOW DOES SWEDEN JUSTIFY RESTRICTING IMPORTS WHILE AT THE SAME TIME ATTEMPTING TO INCREASE EXPORTS OF THE SAME PRODUCTS?

3. AUSTRALIA: SINCE A YEAR HAS PASSED SINCE AUSTRALIA FIRST BEGAN IMPLEMENTING TEMPORARY TRADE RESTRICTION AND LIMITED OFFICIAL USE

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SINCE THE INDUSTRIES ASSISTANCE COMMISSION IS NOW CONSIDERING THE LONG TERM "ASSISTANCE" NEED FOR THOSE PRODUCTS FOR WHICH TEMPORARY PROTECTION WAS GRANTED, WOULD THE GOZ BE WILLING TO REVIEW THE MEASURES ALREADY TAKEN, THOSE UNDER CONSIDERATION, AS WELL AS THE PROSPECTS FOR EVENTUAL REMOVAL OF THE RESTRICTIONS.

4. U.K.: YOU MAY ASK THE FOLLOWING QUESTIONS ON UK TRADE RESTRICTIONS:

A. TV SETS AND TUBES:

-- COULD THE UK PROVIDE THE WP WITH STATISTICS OUTLINING ON A MONTHLY BASIS THE IMPORTS AND EXPORTS OF MONOCHROME AND COLOR TV SETS AND COLOR PICTURE TUBES,

BY COUNTRY, AND FIGURES ON DOMESTIC PRODUCTION OF THESE ITEMS FOR THE MOST RECENT SIX MONTH PERIOD?

-- HOW MANY MONOCHROME AND COLOR TV SETS AND COLOR TUBES HAVE BEEN IMPORTED UNDER LICENSE SINCE THE SYSTEM BECAME EFFECTIVE? FROM WHAT SOURCES?

-- WHAT IS THE AVERAGE WAITING PERIOD FOR ISSUANCE OF A LICENSE?

-- WHAT IS THE JUSTIFICATION FOR IMPORTS FROM OTHER EC MEMBER STATES NOT BEING SUBJECT TO THE LICENSING REQUIREMENT? HOW CAN THE UK BE CONFIDENT THAT SURVEILLANCE OF TV SET AND TUBE IMPORTS IS COMPLETE AND EFFECTIVE WHEN ALL SOURCES ARE NOT COVERED?

-- CAN THE UK INDICATE TO THE WP WHEN THE LICENSING REQUIREMENT MIGHT BE REMOVED?

B. REGARDING TEXTILES

-- WHAT ARE THE TRADE FIGURES FOR THE TEXTILE ITEMS UNDER QUOTA FOR THE SIX MONTHS PRECEDING THE IMPOSITION OF THE QUOTA, AND FOR THE PERIOD FOLLOWING ITS IMPOSITION?

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-- WHAT PROGRESS IS BEING MADE BY THE EC IN BRINGING THE UNILATERAL RESTRICTIONS IMPOSED BY THE UK AND SUBSEQUENTLY ADOPTED BY THE EC INTO CONFORMITY WITH THE MFA AND OTHER APPLICABLE INTERNATIONAL AGREEMENTS?

C. SHOES AND MEN'S CLOTHING:

-- WHAT PROGRESS IS BEING MADE IN REACHING AGREEMENT WITH EAST EUROPEAN SUPPLIERS ON VRAS FOR THESE PRODUCTS?

-- WOULD THE EC PROVIDE DETAILS ON THE ADMINISTRATION OF THE PROPOSED VRAS? WILL THE OPPORTUNITY BE AFFORDED TO THESE COUNTRIES TO REVIEW HOW THEIR CONCESSIONS WILL BE AFFECTED BY THE VRAS ON ACCOUNT OF ANTICIPATED OR ACTUAL TRADE DIVERSION. KISSINGER

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